

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 H-02 L-03

PA-02 PRS-01 /109 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 8975

INFO AMVONSUL FLORENCE 1222

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TURIN

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETDR, EFIN, IT

SUBJ: ITALIAN PRIOR DEPOSIT SCHEME

REF : (A) STATE 172825

(B) MILAN 1644 NOTAL

(C) TURIN 206 NOTAL

1. SUMMARY. EMBASSY AND CONSTITUENT POSTS HAVE CONTACTED CHAMBERS OF COMMERCE AND NUMEROUS BUSINESSMEN RE REF. A. GENERAL VIEW IS THAT WHEN DEPOSIT REQUIREMENT WAS INTRODUCED MANY FIRMS DEFERRED IMPORTS TO THE EXTENT POSSIBLE UTILIZING AVAILABLE INVENTORIES. IMPORTS WERE RESUMED AT NORMAL LEVEL, HOWEVER, WHEN RUMORS SPREAD THAT THE IMPORT-DEPOSIT SCHEME WOULD BE EXTENDED FOR AN ADDITIONAL THREE MONTHS, STOCKS

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WERE GRADUALLY DEPLETED AND THE DEMAND FOR FOREIGN RAW MATERIALS,

SEMI-FINISHED PRODUCTS, AND COMPONENTS INCREASED IN KEEPING WITH THE GROWTH OF OUTPUT. NECESSARY FINANCING WAS OBTAINED FROM THE IMPORTERS' OWN RESOURCES, BANK LOANS AND, TO A SIGNIFICANT EXTENT, THROUGH SUPPLIERS' CREDIT. CONCLUSION CAN THUS BE DRAWN THAT THE IMPACT OF THE DEPOSIT SCHEME ON OVER-ALL IMPORTS WAS NOT SIGNIFICANT. END SUMMARY.

2. REGARDING SPECIFICALLY U.S. IMPORTS INTO ITALY, OPINIONS EXPRESSED INDICATE THAT PRIOR-DEPOSIT REQUIREMENT HAD LITTLE OR NO EFFECT ON IMPORTS OF NON-DURABLE GOODS, SOPHISTICATED TOOLS, OR OTHER SPECIALIZED ITEMS USED IN MANUFACTURING OPERATIONS OF WHICH U.S. IS SOLE SUPPLIER OR OF CONSUMER GOODS SOLD IN CHAIN STORES. PRINCIPAL REASONS GIVEN ARE 1) U.S. PRODUCTS WERE ESSENTIAL IN MEETING NEEDS RESULTING FROM GROWTH OF INDUSTRIAL PRODUCTION; 2) THERE IS AN INCREASING DEMAND FOR GOODS SOLD IN CHAIN STORES BECAUSE OF SUPERIOR QUALITY AND COMPETITIVE PRICES, EVEN THOUGH RETAIL PRICES HAVE BEEN RAISED TO PASS ON COST OF DEPOSIT. IN CONTRAST, MOST IMPORTERS OF U.S. CAPITAL GOODS REPORTED SHARP DECLINE IN THEIR SALES, DUE ONLY IN SMALL PART TO IMPORT DEPOSIT. ALLEGEDLY, MAJOR CAUSES ARE, INSTEAD, THE CLIMATE OF POLITICAL UNCERTAINTY DURING THE ELECTIONS, THE HIGH COST AND SCARCITY OF MEDIUM AND LONG-TERM FINANCING, THE PROFIT SQUEEZE RESULTING FROM THE HIGH COST OF LABOR, DOLLAR APPRECIATION, AND THE PESSIMISTIC MEDIUM-TERM OUTLOOK FOR ITALIAN EXPORTS.

3. AVAILABLE ITALIAN STATISTICS SHOW THAT VALUE OF IMPORTS FROM THE WORLD IN MAY, 1976, INCREASED BY 5.4 PERCENT FROM APRIL, 1976, AND BY 75.1 PERCENT IN MAY, 1976, FROM MAY, 1975. DATA BY COUNTRY ARE NOT YET AVAILABLE. STATISTICS ON MAY IMPORTS FROM THE UNITED STATES WILL BE REPORTED AS SOON AS ISTAT SUPPLIES THEM. EMBASSY BELIEVES, HOWEVER, THAT DECLINE REPORTED BY THE DEPARTMENT HAS TO DO WITH SHIPMENTS THAT DEPARTED FROM THE UNITED STATES IN MAY, MOST OF WHICH WILL NOT BE REFLECTED BY ITALIAN IMPORT STATISTICS UNTIL THE JUNE DATA ARE COMPILED. VOLPE

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